

REWE GROUP

GUIDELINE

FOR ORGANIC PRODUCTS

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I OBJECTIVES AND AREA OF APPLICATION

For REWE Group, organic farming is a form of sustainable business practice and thus part of the corporate strategy. Based on the principles of life-cycle management, organic farming has set its own sustainability standards early on for an environmentally sound and animal-friendly management, the conservation of resources and the production of high-quality food.

As a trade company, REWE Group has a special responsibility towards its customers. The company has therefore drawn up quality criteria and measures for organic products¹⁾ which ensure a high degree of integrity of these products and guarantee a sustainable organic production. For a differentiated quality positioning, REWE Group aims to strengthen the organic store brands together with suppliers and to increase the proportion of total turnover with a broad range and a high level of value for its customers.

The area of application of this guideline comprises all store brand products of REWE Group from organic cultivation.



¹⁾ In the following, the term “organic products” will be used synonymously for all products which comply with the EU legal framework for Organic Production (Regulation (EG) No. 834/2007 and implementing rules).

II FRAMEWORK CONDITIONS

Market

Organic farming continues to be on a stable course for growth internationally. In 2011, around 70 million hectares of land were farmed organically. Compared to 2010, the cultivation area increased by 3 per cent.²⁾ In 2011, market research institutions estimated the global market for organic products at around 48 billion euros.

Europe and North America are considered the most important markets for organic products. In 2012, Germany was the market leader in Europe with sales of around 7 billion euros. The average sales growth for organic food was 6 per cent; thus the share of organic products in the total food sales increased to 3.9 per cent in Germany.

According to the working group “Arbeitskreis Biomarkt”, the food retail sector achieved a share in the total market volume of 50 per cent, the market share of natural food stores was 31 per cent and other sales channels including health food chains, weekly markets or farm shops achieved 18 per cent in 2012.³⁾

Statutory basis

In Europe, agricultural production, processing, trade and marketing of organic products have been regulated by EU legislation concerning organic production since 1991. The regulations provide for strict production specifications and a comprehensive control system. State-approved and monitored authorities carry out either announced or unannounced inspections, audits and product analyses in independent analysis laboratories.⁴⁾

Standards under private law

In addition to statutory requirements, many agricultural holdings and companies of the downstream sector are committed to complying with the requirements under private law, e.g. the requirements of the organic cultivation association “Naturland”.⁵⁾

²⁾ FiBL, FOAM (2013):

The World of Organic Agriculture. Frick and Bonn.

³⁾ BÖLW (2013): The Organic Industry: Facts, Figures, Dates

⁴⁾ EU (2013): Control and Certification

⁵⁾ Naturland e.V. (2013): Naturland Guidelines

III REQUIREMENTS

Sales growth and the associated global procurement of raw materials are considerable challenges in terms of quality assurance systems.

REWE Group responds to this challenge in the constantly growing market for organic products. With the requirements and measures for the sustainable development of the integrity of organic products outlined below, we are setting new standards.

Given the growing market and the foreseeable scarcity of raw materials for organic products, REWE Group is aware that the supply of high-quality organic raw materials can only be ensured through long-term supplier relations and cooperations.

As part of a long-term strategy that aims at securing natural resources, raw materials complying with a standard under private law, such as “Naturland” standards, are treated as preferential.

3.1 Requirements for all REWE GROUP store brand suppliers for organic products

Origins and imports

REWE Group promotes local production and processing of organic products. Organic products and their ingredients are procured regionally and nationally, as far as possible. Furthermore, REWE Group enters into agreements with its suppliers on country-specific raw material origins that are laid down in specifications and regularly audited for compliance.

Imports of organic products from non-European countries can entail specific risks. Therefore, REWE Group strives to achieve an overall conversion of farming methods throughout the pre-supply chain in the third country.

Sustainable organic farming requires a conversion period of several years in order to change to new production processes. Farmers often require supplementary advice. The recognition of a conversion period for farming areas represents an exception and the requirements are comprehensively documented. Moreover, organic products are not transported by air.

Transparency of raw material procurement

Transparency of the entire supply chain and continuous traceability of raw material flows are at the core of REWE Group’s origin traceability strategy. The origin of all used raw materials must be transparent and traceable.

Special attention is paid to raw material procurement from third countries. Anticipated risks are analysed and critical countries are exempted from raw material procurement, if possible.

The supply structures for organic products are documented by the suppliers of organic products for REWE Group. For suppliers combining the flow of goods for REWE Group fruit & vegetables in particular, an updated list of their agricultural holdings including names, address and contact details, the duration of the supply relationship, the name of the inspection body and a declaration of agricultural areas (hectares of organically cultivated land) must be maintained and contractual agreements with sub-suppliers must exist.

Organisation and training

In order to ensure a sustainable implementation of quality assurance for organic products, one person in the company has overall responsibility for this area.

Regular employee trainings on relevant topics promote competent implementation of quality assurance for organic products. The aim is to ensure that all employees receive qualified training to meet the special requirements with regard to the production of organic food and feed. The trainings should be oriented towards the responsibilities of the respective employees in the company.

Social standards

Sustainable organic production also requires compliance with social minimum standards. Therefore, occupational safety must be guaranteed for all production and processing levels. Labour law guidelines are also complied with. Within their supply chain, all suppliers of organic products ensure compliance with the basic principles of the ILO core labour standards within the applicable national legislation. Compliance with the aforementioned standards can be confirmed in writing for REWE Group. This includes in particular:

- freedom of association and the right to collective bargaining
- ban on forced labour
- avoidance of child labour
- discrimination ban

Labour law guidelines should not be evaded through outsourcing to subcontractors.

3.2 Requirements for organic farms for organic store brand products

Organic farms use soil and water sources sustainably and in compliance with the statutory stipulations.

Overall conversion of farming methods

An overall conversion of farming methods to organic farming ensures sustainable production and its integrity to a special degree. Consequently, an overall conversion of farming methods is aimed at which ensures that all farming areas are cultivated according to eco-standards or are in the process of conversion.

Crop farming

The nutrient cycle relies on the targeted use of leguminous plants and excludes losses of nutrients to a large extent. Through appropriate management systems and measures, biological diversity is maintained and promoted.

Livestock farming

Livestock farming in organic farming means compliance with high animal protection standards. Furthermore, employees are qualified for proper monitoring and animal care as well as trained accordingly at regular intervals. Farmers are informed about additional requirements in regular audits.

Aquaculture

Products from organic aquaculture must either comply with the standards of the organic cultivation association “Naturland” or with an equivalent standard.



IV CONTROL

4.1 Product control

Analysis of residues

Organic farming is a particularly environmentally sound form of agriculture. However, organic farming areas are also exposed to environmental impacts. Therefore, complete freedom from residues in organic products is not possible. On the other hand, findings of residues in organic products can be evidence of the use of impermissible production means.

To this end, our suppliers are obliged to carry out risk-oriented residue analyses. The commissioned analysis laboratory is accredited and, if possible, authorised by QS GmbH.

Cases of suspicion

REWE Group suppliers inform their inspection authorities or inspection bodies of analysis findings which give reason to suspect irregularities and initiate an appropriate process.

Leaf samples

Suppliers combining flow of goods for REWE Group fruit & vegetables conduct risk-oriented leaf samples at crucial periods. The findings are documented and evaluated. The evaluation clarifies whether the substance was applied in a systematic and targeted way or came into contact with the product through an unintended contamination source.

Threshold

Unless other foodstuffs regulations imposed by law provide for stricter regulations, a threshold of 0.01 mg/kg (measured value without taking associated areas into account) applies to chemical-synthetic crop protection products, herbicide safeners and pesticides for each substance. This applies to vegetables, products of processing, animal feed, compound animal feed, feed materials and seeds from organic cultivation.

Drying factors

For dried food, half the value of the Federal Association of Natural Food (BNN) drying factors applies. If there is specific evidence that the conversion factor of a dried product is below the aforementioned approved factors, this factor will apply.

Copper

The content of copper in products may not exceed 1/3 of the maximum levels pursuant to the valid EU Maximum Residue Level Regulation.

4.2 Process control

REWE Group audit

The current organic status is reviewed on the basis of regular controls of organic certifications. For a final assessment of the organic integrity and the requirements for transparency, REWE Group regularly conducts own risk-oriented organic controls for organic store brand products at suppliers and subcontractors. These audits also encompass specifications agreed with the suppliers as well as self-assessments (see section 4.3).

Supplier audits

Based on a risk analysis, all suppliers of organic products regularly conduct audits at their subcontractors to check organic integrity.

4.3 Data-driven control

Publication of the eco certification status

REWE Group strives to achieve high transparency for organic products. For this reason, the certification status of REWE Group suppliers should be published online by the inspection bodies. Based on the electronic notification on the eco certification status, this should preferably be via the data base www.bioc.info.

Self-assessment of REWE Group suppliers for organic food products

REWE Group additionally safeguards the integrity of organic products with a risk-oriented approach. Therefore, all operations and companies are requested by REWE Group to conduct a yearly web-based self-assessment in the “REWE Online Bio” registration system. REWE Group regularly reviews these self-assessments in terms of risk orientation through audits.

V ANTI-FRAUD

In recent years, there have been large-scale fraud cases in the organic sector and as a response, an “Anti Fraud Initiative” (AFI) was established. REWE Group actively supports the “Code of Good Organic Practice” of the Anti Fraud Initiative and expects the same from its suppliers.⁶⁾



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⁶⁾ Anti Fraud Initiative (2014): Codes of Conduct

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Discussing the issue of organic products is important to us.

For all suggestions and questions, please contact us at: nachhaltigkeit@rewe-group.com

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